



Schedule C-2 Excess Deductions Against Trade or Business Income

2002

Massachusetts

Department of

Revenue

Generally, taxpayers may not use excess 5.3% deductions to offset interest (other than from Massachusetts banks), dividends and capital gains income. However, where the taxpayer files a Massachusetts Schedule C or a Massachusetts Schedule E, Massachusetts law allows such offsets if the following requirements are met:

- the excess 5.3% deductions must be adjusted gross income deductions allowed under MGL Ch. 62, section 2(d); and

- these excess deductions may only be used to offset income which is effectively connected with the active conduct of a trade or business or any income allowed under IRC, Section 469(d)(1)(B) to offset (losses) from passive activities.

To determine if you have excess deductions, complete lines 1 through 6. If line 6 is "0" or greater, you have no excess deductions. If line 6 is less than "0," you have excess deductions and should complete the remainder of Schedule C-2.

1	Total 5.3% income or (loss) (from Form 1, line 10 or 1-NR/PY, line 12)	1	<input type="text"/>
2	5.3% interest exemption (total Massachusetts bank interest or the interest exemption amount, whichever is smaller, from Form 1, line 5a or line 5b or Form 1-NR/PY, line 7a or line 7b)	2	<input type="text"/>
3	Abandoned Building Renovation Deduction (from Schedule C, line 30; Schedule E, Part I, line 4; Schedule E, Part II, line 4; or Schedule E, Part III, line 4)	3	<input type="text"/>
4	Combine lines 1, 2 and 3	4	<input type="text"/>
5	Additional adjusted gross income deductions (from Form 1 or 1-NR/PY, Schedule Y, total of lines 1, 2, 3, 4 and 5)	5	<input type="text"/>
6	Subtract line 5 from line 4.	6	<input type="text"/>
7	If line 6 is "0" or greater, you have no excess deductions. Omit remainder of schedule. If line 6 is less than "0," enter in lines 7a and 7b any of the following amounts included in Schedule B, line 4:		
a	Interest (other than from Massachusetts banks) and dividends effectively connected with the active conduct of your trade or business (attach statement substantiating such claim)	7a	<input type="text"/>
b	Interest (other than from Massachusetts banks) and dividends from passive activities allowed to offset (losses) from passive activities in the current taxable year	7b	<input type="text"/>
	Add lines 7a and 7b	7	<input type="text"/>
8	Allowable deduction. Enter the smaller of line 6 (considered as a positive amount) or line 7 here and on Schedule B, line 8	8	<input type="text"/>
9	Combine lines 6 and 8.	9	<input type="text"/>
10	If line 9 is "0" or greater, you have no excess deductions. Omit remainder of schedule. If line 9 is less than "0," enter in lines 10a and 10b any of the following amounts included in Schedule B, lines 10 through 12:		
a	12% capital gains effectively connected with the active conduct of your trade or business (attach statement substantiating such claim)	10a	<input type="text"/>
b	12% capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year	10b	<input type="text"/>
	Add lines 10a and 10b	10	<input type="text"/>
11	Allowable deduction. Enter the smaller of line 9 (considered as a positive amount) or line 10 here and on Schedule B, line 14	11	<input type="text"/>
12	Combine lines 9 and 11	12	<input type="text"/>
13	If line 12 is "0" or greater, you have no excess deductions. Omit remainder of schedule. If line 12 is less than "0," enter in lines 13a and 13b any of the following amounts included in Schedule D:		
a	Long-term capital gains effectively connected with the active conduct of your trade or business (attach statement substantiating such claim)	13a	<input type="text"/>
b	Long-term capital gains from passive activities allowed to offset (losses) from passive activities in the current taxable year	13b	<input type="text"/>
	Add lines 13a and 13b	13	<input type="text"/>
14	Enter the smaller of line 12 (considered as a positive amount) or line 13 here and on reverse	14	<input type="text"/>

14	Enter the smaller of line 12 (considered as a positive amount) or line 13 here (from page 1)	14	<input type="text"/>
15	Enter the smaller of line 14 or any amount from Schedule D, Part 1, line 18, column A (that is included in line 12), but not more than line 14 above, here and on Schedule D, Part 1, line 19, column A	15	<input type="text"/>
16	<i>Subtract line 15 from line 14.</i> If line 16 is "0," you have no excess deductions; omit remainder of schedule	16	<input type="text"/>
17	Enter the smaller of line 16 or any amount from Schedule D, Part 1, line 18, column B (that is included in line 12), but not more than line 16 above, here and on Schedule D, Part 1, line 19, column B	17	<input type="text"/>
18	<i>Subtract line 17 from line 16.</i> If line 18 is "0," you have no excess deductions; omit remainder of schedule	18	<input type="text"/>
19	Enter the smaller of line 18 or any amount from Schedule D, Part 1, line 18, column C (that is included in line 12), but not more than line 18 above, here and on Schedule D, Part 1, line 19, column C	19	<input type="text"/>
20	<i>Subtract line 19 from line 18.</i> If line 20 is "0," you have no excess deductions; omit remainder of schedule	20	<input type="text"/>
21	Enter the smaller of line 20 or any amount from Schedule D, Part 1, line 18, column D (that is included in line 12), but not more than line 20 above, here and on Schedule D, Part 1, line 19, column D	21	<input type="text"/>
22	<i>Subtract line 21 from line 20.</i> If line 22 is "0," you have no excess deductions; omit remainder of schedule	22	<input type="text"/>
23	Enter the smaller of line 22 or any amount from Schedule D, Part 1, line 18, column E (that is included in line 12), but not more than line 22 above, here and on Schedule D, Part 1, line 19, column E	23	<input type="text"/>
24	<i>Subtract line 23 from line 22.</i> If line 24 is "0," you have no excess deductions; omit remainder of schedule	24	<input type="text"/>
25	Enter the smaller of line 24 or any amount from Schedule D, Part 1, line 18, column F (that is included in line 12), but not more than line 24 above, here and on Schedule D, Part 1, line 19, column F	25	<input type="text"/>
26	<i>Subtract line 25 from line 24.</i> If line 26 is "0," you have no excess deductions; omit remainder of schedule	26	<input type="text"/>
27	Enter the smaller of line 26 or any amount from Schedule D, Part 2, line 17 (that is included in line 12), but not more than line 26 above, here and on Schedule D, Part 2, line 18	27	<input type="text"/>